

## ***U.S.-CAFTA-DR Free Trade Agreement*** **Louisiana Farmers Will Benefit.**

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Exports of farm products help boost Louisiana's farm prices and income. Such exports help support about 7,679 jobs both on and off the farm in food processing, storage, and transportation. In 2003, Louisiana's farm cash receipts were \$2 billion, and agricultural exports were estimated at \$486 million, putting its reliance on agricultural exports at 24 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Louisiana's exports of agricultural products.

### **Louisiana Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)**

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including Louisiana's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

**Rice.** Louisiana, the nation's 3<sup>rd</sup> largest rice producer with eleven milling establishments, benefits under the FTA.

- U.S. rice exports face CAFTA-DR duties up to 60 percent, and the WTO permits duties as high as 90 percent.
- Each CAFTA-DR country will establish zero duty TRQs for milled rice, and rough rice in all except the Dominican Republic (which will have a TRQ for brown rice).
- In the first year of the FTA, the TRQ access will total over 400,000 metric tons immediately and will grow through the tariff phase-out period.
- *The USA Rice Federation and U.S. Rice Producers Association have expressed support publicly for CAFTA-DR FTA.*

**Cotton.** With cotton sales ranked 8<sup>th</sup> nationally, Louisiana benefits from zero tariffs that the FTA locks-in immediately for markets worth \$73.1 million to U.S. cotton suppliers. Under the WTO, CAFTA-DR countries could raise duties on cotton to 35 to 60 percent, depending on the country.

**Beef.** Providing the 3<sup>rd</sup> largest source of cash receipts in the state, Louisiana cattle and calve operators benefit from the FTA.

- Current import duties on U.S. beef exports are as high as 30 percent, and the WTO permits duties as high as 79 percent.
- Duties on the products most important to the U.S. beef industry – Prime and Choice cuts – will be eliminated immediately in Central American countries, while the Dominican Republic will establish a zero duty TRQ of 1,100 metric tons which expands annually as duties are eliminated.

- Some immediate duty-free access will be provided by certain countries on other beef cuts through an initial TRQ totaling 1,165 metric tons, expanding annually until duties are fully phased-out.
- Duties currently applied to other beef products and beef offals will be phased-out in 5 to 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, and the U.S. Meat Export Federation have expressed support publicly for the CAFTA-DR FTA.*

**Corn.** With nearly 500,000 acres planted in corn, Louisiana benefits from the FTA.

- U.S. corn exporters face duties up to 35 percent, and the WTO permits duties as high as 75 percent.
- Costa Rica and the Dominican Republic will eliminate their duty on yellow corn immediately. The other countries will provide preferential access through individual duty-free TRQs totaling 1,151,259 metric tons initially, growing by 5 percent per year as the over-quota duties are phased out over 15 years (10 years in the case of Guatemala).
- All currently applied duties on corn products (including corn flour, corn gluten feed, corn oil and high fructose corn syrup) will be phased-out in 15 years.
- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the U.S. Grains Council, and the North American Millers Association have expressed support publicly for the CAFTA-DR FTA.*

**Soybeans and Products.** As the 3<sup>rd</sup> largest export and 5<sup>th</sup> largest source of farm cash receipts in the state, Louisiana soybean producers benefit from the FTA.

- Central American and Dominican import duties range from zero to 20 percent, and the WTO permits duties as high 90 percent.
- CAFTA-DR countries will provide immediate duty-free access for soybeans. Duties on soybean meal and flour will be eliminated immediately in most CAFTA-DR countries.
- Most CAFTA-DR countries will immediately eliminate duties on crude soybean oil, and the current duties on refined soybean oil phased out over 12 to 15 years.
- *The American Soybean Association, the National Grain and Feed Association, and the National Oilseed Processors Association have expressed support publicly for the CAFTA-DR FTA.*

**Sugar.** The 2.4 percent of Louisiana farms engaged in sugar production will face no cuts in the over 100 percent out-of-quota duty on U.S. sugar that currently protects domestic producers.

- The United States will establish TRQs for CAFTA-DR countries, starting at 107,000 metric tons. In the first year of implementation, increased market access in sugar will amount to about 1.2 percent of annual U.S. sugar consumption. This amount grows very slowly by 2 percent a year into perpetuity, so that by year 15 of FTA

implementation the increased access on sugar (about 151,000 metric tons) amounts to about 1.7 percent of consumption. The United States will also establish a quota for specialty sugar goods of Costa Rica in the amount of 2,000 metric tons annually.

- Provisions will ensure only net surplus exporting countries in the region have access to the new access, and provisions have been agreed to allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- *The Sweetener Users Association, the National Confectioners Association, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

### **Sugar Production in Louisiana - Map**